

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7953

BILL NUMBER: HB 1727

DATE PREPARED: Apr 11, 2001

BILL AMENDED: Apr 5, 2001

SUBJECT: Medicaid and Public Assistance.

FISCAL ANALYST: Alan Gossard

PHONE NUMBER: 233-3546

FUNDS AFFECTED: X

X

X

GENERAL

DEDICATED

FEDERAL

IMPACT: State

Summary of Legislation: (Amended) *CHOICE Program Reimbursement Rates:* The bill provides that reimbursement rates for services provided under the Community and Home Options to Institutional Care for the Elderly and Disabled (CHOICE) program may not exceed reimbursement rates for similar services provided under the Medicaid Aged and Disabled or Intermediate Care Facilities for the Mentally Retarded (ICF/MR) waivers.

Public Assistance Programs Investigative Unit: This bill establishes the Public Assistance Programs Investigative Unit within the Office of the Attorney General to investigate abusive and improper or fraudulent practices in the public assistance programs administered by the Office of the Secretary of Family and Social Services (FSSA).

Medicaid Managed Care Program Participation: This bill also requires FSSA to apply for a federal Medicaid waiver to require enrollees in Medicaid and the Children's Health Insurance Program (CHIP) who reside in certain counties to enroll in the Risk-Based Managed Care Program (RBMC).

CRF/DD and ICF/MR Assessments: This bill increases the assessment on certain community residential facilities for the developmentally disabled (CRF/DD) and intermediate care facilities for the mentally retarded (ICF/MR) facilities from 5% of the facility's annual gross residential services revenue to 6%.

Medicaid Disease Management Program and Prescription Drug Management: The bill also requires the Office of Medicaid Policy and Planning (OMPP) to develop a disease management program to study the provision of health care services to Medicaid recipients with chronic diseases, the cost of those services, and alternative methods of service delivery to provide necessary services at reduced cost. OMPP is to report to the Health Finance Commission and the Budget Committee regarding the disease management programs not later than December 31, 2002. The bill also requires OMPP to develop a program to control Medicaid expenditures for prescription drugs for Medicaid recipients. OMPP is to report to the Health Finance Commission and the Budget Committee regarding the pharmacy cost control program not later than

September 1, 2001.

Medicaid Reimbursement Rates: The bill requires the state's rate setting contractor for nursing home case-mix reimbursement to calculate the median for each case-mix component each quarter using all cost reports received by the state or the state's rate setting contractor within 150 days after each provider's fiscal year end.

Effective Date: (Amended) Upon Passage; July 1, 2001.

Explanation of State Expenditures: (Revised) This bill provides for several measures that may impact costs in the Medicaid, CHOICE, and public assistance programs.

CHOICE Program Reimbursement Rates: This bill provides that reimbursement rates in the CHOICE program may not exceed reimbursement rates for similar services provided under the Medicaid Aged and Disabled or ICF/MR waivers. The extent to which CHOICE reimbursement rates exceed those under the waiver programs has not been determined at this time.

Public Assistance Programs Investigative Unit: This bill establishes the Public Assistance Programs Investigative Unit within the Office of the Attorney General to investigate abusive and improper or fraudulent practices in the Medicaid, TANF (Temporary Assistance for Needy Families), and Food Stamp programs administered by FSSA. This function is currently being performed by similar units in the Attorney General's (provider fraud) office and FSSA (recipient fraud). This bill would put both functions under the Attorney General's office.

Medicaid Managed Care Program Participation: The bill also requires new Medicaid recipients in the most populous 14 counties (with populations over 100,000) to enroll in the RBMC program under certain conditions. Currently, only Marion and Lake Counties meet all of the specified conditions. OMPP estimates cost savings in the RBMC program to be about 6% compared to the fee-for-service-based Primary Care Case Management (PCCM) program. If the 6% savings can be realized in the affected counties, the estimated potential savings are about \$12 M in state costs. However, whether the RBMC program could achieve this level of savings and the amount of time required to move most recipients into the RBMC program is not known.

CRF/DD and ICF/MR Assessments: According to OMPP, the increase in the CRF/DD and ICF/MR rate of assessment from 5% to 6% is estimated to result in a net gain to the state of \$1.4 M.

Medicaid Disease Management Program and Prescription Drug Management: OMPP is to develop a disease management program and a prescription drug cost control program for the Medicaid program. Significant cost reductions may be possible through the implementation of a disease management and prescription drug cost control program. However, the extent of the savings will depend upon administrative actions in implementation of the programs. OMPP is to report to the Legislative Council and the state Budget Committee by dates specified in the bill regarding these programs.

Medicaid Reimbursement Rates: The bill requires the state's rate-setting contractor for nursing home case-mix reimbursement to calculate the median for each case-mix component each quarter using all cost reports received by the state or the state's rate setting contractor within 150 days after each provider's fiscal year end. Depending upon interpretation, this provision will, at a minimum, require faster action by the state's rate-setting contractor, and it may increase state costs for nursing home reimbursement. The extent of the cost increase is undetermined at this time. Additional information is currently being sought.

Explanation of State Revenues: See Explanation of State Expenditures, above, regarding federal financial participation in the Medicaid program.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Family and Social Services Administration; Attorney General.

Local Agencies Affected:

Information Sources: Kathy Gifford, OMPP, (317) 233-4455.